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SUBJECT: CZECH CORRUPTION: HOW MUCH IS TOO MUCH FOR VOTERS?

11. (SBU) SUMMARY: Less than a year has passed since Czech Prime Minister Stanislav Gross (CSSD) was forced out of office by questions about the source of money used to pay for his private residence, and succeeded by current PM Jiri Paroubek (CSSD). Since that time several others in the cabinet, parliament and government service have been forced to resign because of alleged ethical misconduct. In addition, the nation's top prosecutor and her deputy have resigned in disgust, saying there was no political will to fight corruption. There seems to be general agreement that corruption is a serious and widespread problem. Whether officials feel threatened enough to change their rules and practices, or whether the public is incensed enough to vote for new, untainted parties, remains to be seen. The main opposition party (ODS) is also dogged by persistent allegations of corruption. The latest political poll shows surprising support for the Greens, an extraparlimentary party that is seen as a promoter of clean government. If the Greens, or one of the other small, untainted parties receive enough votes in this summer's general election to make it to parliament, this would have a profound impact on the makeup of the next coalition government. END SUMMARY

12. (U) Paroubek took over as Prime Minister on April 25, 12005. Less than two weeks later, his long-time assistant and newly appointed government spokesperson, Veronika Skorepova, resigned after being accused of padding her resume. In August, the Czech TV station Nova ran a tape of Zdenek Dolezel, head of the Prime Minister's office, in which Dolezel seemed to be asking for a bribe from a Polish lobbyist. The Prime Minister eventually sacked Dolezel. Agriculture Minister Petr Zgarba (CSSD) stepped down in November when it came to light that he had allowed, perhaps unknowingly, valuable public land to be transferred to speculators. Last month, Michal Kraus (CSSD) stepped down after nearly two decades in parliament when it came out that he had participated in a business deal in Ghana with a convicted swindler. Kraus, who was head of his party's parliamentary club and head of parliament's budget committee, gave inconsistent explanations of the trip before finally resigning from all of his official positions. In the latest scandal, Jan Mares, the head of the government office that conducts security screenings, resigned February 8, after he was overheard on a police wiretap of a criminal gang, discussing ways of acquiring contacts at the President's office.

13. (U) It is unclear whether the normally tolerant Czech electorate will see corruption, admittedly widespread, as an important election issue and vote for the Greens or some other new party promoting cleaner government, or whether an increase in the coverage of scandals could lead to greater support for the Communists, who, because they have been kept outside the corridors of power, are still untainted by corruption. So far, public opinion polls show little sign of erosion in public support for ODS and CSSD, the two main parties, and the two most often accused of corruption. But

these same polls do suggest some slight increase in support for two extraparlimentary parties that are still perceived as clean: the Greens and the newly formed alliance of SNK-ED merging the followers of former Foreign Minister Josef Zielenec and former Prague Mayor Jan Kasl.

14. (U) One theory making the rounds in Prague's conspiratorial circles is that, because of the upcoming general election, corruption is being used, with the cooperation of a partisan media, as a pretext to eliminate rivals. There has been much speculation, both in private and in public, that former Prime Minister and CSSD party chief Milos Zeman is behind the Gross and Kraus resignations. Three years ago Zeman expected a CSSD-led parliament to elect him as president, but some members of a relatively centrist bloc within the party withdrew their support, allowing former ODS chief Vaclav Klaus to be chosen. The argument that is frequently made is that Zeman is taking revenge on those who he feels deserted him, and also possibly preparing for another run at the presidency in 2008.

15. (U) The Embassy spoke with Czech journalist Jaroslav Kmenta, who broke both the Gross and Kraus stories. Kmenta participated in a USIA International Visitor Program on investigative journalism in the mid 1990s. He attributes many of his successes to things learned on that trip, such as the value of open sources for information that can lead to major scoops. In the case of Prime Minister Gross, Kmenta went through public records at the housing registry and found the cost of the apartment the Prime Minister was living in. He and colleagues conducted estimates of the money the thirty-something Premier could have made in his entire lifetime and determined that the cost of the apartment exceeded his possible income. In Prague, where politics can be murky and convoluted, many suspected a frame-up. But

PRAGUE 00000160 002 OF 003

Kmenta assured post that it was a simple and at the time, relatively innocent question, &Where did the money for the apartment come from?" As history has shown, the awkward, inconsistent and scarcely credible answers that Gross gave to this question led to his resignation.

16. (U) In the Kraus case, Kmenta told post that during the uneventful slow days of the late summer, editors suggested he try to liven things up by going to prison and interviewing prominent convicts who had fallen out of the headlines since their incarceration. During one such interview, with fraudster Frantisek Rigo, it came out that Rigo had made a business trip to Ghana with Michal Kraus. Kmenta denies that he was tipped off, or that politics played any role in the uncovering of either story.

17. (SBU) Government officials who fight corruption, on the other hand, say politics plays too much of a role in the prosecution of official wrongdoing. State Supreme Prosecutor Marie Benesova left her post in September, 2005, after nearly six years of leading the fight against corruption and organized crime. In December, 2005, her former Deputy, Jaroslav Fenyk, also resigned. Both have cited insufficient will to fight organized crime and corruption, as well as political interference in the prosecution of high profile cases, as the main reasons for their departures. Benesova told post that she thought it would take two generations to improve the current situation. She told the Embassy she feels democracy itself is endangered because there is no political will to fight corruption or put an end to the involvement of all political parties in corruption cases. On a related note, Benesova told us she herself might become a candidate in the June elections on the SNK-ED ticket being led by former Prague Mayor Jan Kasl. It is possible that if corruption becomes an election issue and if Benesova, perhaps the country's best known corruption fighter joins the right-of-center SNK-ED party, now polling at slightly more than 2.5%, her candidacy could help the party get over the 5% threshold into parliament and shift the outcome from a socialist

victory to a conservative victory. Similarly, the Greens, who have never been a part of the government of the Czech Republic, polled their highest ever this month, at 4.8%. If corruption continues to receive prominent coverage in the national media, that party, which has already said that it would join any non-communist alliance, could significantly change the composition of the next government.

18. (U) Paroubek has done an adequate job, at least so far, of defusing criticism by expeditiously sacking any party member connected to a scandal. He has also promised to set up a bipartisan commission to make legislative and policy recommendations to fight corruption, if he is reelected. ODS, which should have been in a position to capitalize on the negative publicity aimed at its rival, the Social Democrats, has instead misplayed its hand and hasn't benefited. The best example of this might be the case of Vladimir Dolezal, an ODS parliamentarian accused of soliciting a bribe of approximately USD35,000 from a Prague businessman. The scandal flared up when the accusation was made public last fall, then dragged through the papers last December when parliament debated and ultimately stripped Dolezal of his immunity before referring the case to the police. The story was given fresh legs three weeks later when Dolezal resigned from parliament, and a final shot three days later when he stepped down from the board of the state debt agency. Another example of a tactical error involves ODS chief Mirek Topolanek who was accused a year ago of offering Zdenek Koristka, a wavering coalition parliamentarian, USD 400,000 and an ambassadorship in exchange for not supporting the coalition in a vote of no confidence. Rather than letting the issue fade quietly from the news, Topolanek chose to bring a civil suit against Koristka, thereby ensuring that the case would stay in the news. One Topolanek aide told post that Topolanek had been "exhausted" by the case and was going to end up spending more time on this one issue than any other in the year before the general election.

19. (SBU) Although the ruling Social Democrats have done little to end corruption, with slightly more than three months to election day, polls indicate Prime Minister Paroubek will probably get his wish for a minority CSSD government. But if either the Greens or Kasl,s European Democrats were to receive at least 5%, the minimum required for entry to parliament, they would have roughly a dozen seats and would make it possible for other parties, such as the Civic Democrats and the Christian Democrats, to form a majority government. Paroubek, who follows the polls very closely, is aware of this threat. In January he told party insiders to be on the lookout for environmental projects that would help CSSD siphon support from the Greens. Whether the new, untainted parties can draw enough first-time voters, alienated voters, and non-partisan voters who have simply had

PRAGUE 00000160 003 OF 003

enough of the incumbents, will depend to a certain extent on how many more scandals come to light between now and the election, and whether the Czech electorate will continue to shrug them off.

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